



COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR


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LOS ANGELES, CALIFORNIA 90012



MARK J. SALADINO
TREASURER AND TAX COLLECTOR

March 3, 2003

TO: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Mark J. Saladino
Treasurer and Tax Collector 

SUBJECT: AGENDA ITEM 88 -MEETING OF MARCH 4, 2003

The following is the report requested by your Board at the meeting held on February 18, 2003 (Synopsis Number 70).

EXECUTIVE SUMMARY

At meetings held on February 18 and 25, 2003, your Board directed the Department of Treasurer and Tax Collector:

- To recommend ways to improve County policies regarding the collection of delinquent property taxes from senior citizens and others with special needs; and
- To delay the sale of certain residential owner-occupied property to ensure that the taxpayer has been offered all State and County assistance programs.

In response to your Board's direction, we propose to take the following actions:

- Highlight the delinquent tax notice on annual property tax bills, and add another delinquency notice on each payment stub;

- Send a Notice of Delinquency annually to every property owner who owes prior year taxes;
- Establish a voluntary database of third parties to be notified before a property is sold at auction; and
- Delay the sale of an identified owner-occupied residence pending a taxpayer counseling session by the Department of Community and Senior Services or the Department of Consumer Affairs.

DISCUSSION

On February 18, 2003, your Board directed the Department of Treasurer and Tax Collector, working with the Department of Consumer Affairs and the County Agency on Aging, to develop recommendations and report back to the Board within two weeks on ways to improve County policies regarding the collection of delinquent property taxes from senior citizens and others with special needs who might require assistance in understanding and meeting their property tax obligations before their homes are placed in jeopardy.

On February 25, 2003, your Board further instructed this Department to delay the sale of residential owner-occupied property to ensure that the taxpayer has been offered all State and County assistance programs. The sale could proceed after the Departments of Community and Senior Services and Consumer Affairs certify that a meeting and counseling session has taken place.

This report was prepared with input from the Department of Community and Senior Services (DCSS) and the Department of Consumer Affairs (DCA), and is in response to the two motions described above.

BACKGROUND

Annual property tax bills are mailed in October and are payable in two installments. The first installment is due November 1 and may be paid without penalty until December 10. The second installment is due February 1 and may be paid without penalty until April 10. Any portion of annual property taxes that is not paid by June 30 is in default under State law. If any defaulted property tax remains unpaid for five years, the related property may be sold by the Tax Collector at public auction immediately, and must be offered for sale within four years.

Last month the *Los Angeles Times* reported that an elderly man's home was sold at public auction due to a \$546 delinquent property tax bill. The homeowner,

Mr. Terrell Dotson, is reported to be 85 years old and a veteran of World War II. In December 1995 he purchased his home, a condominium unit in a secure apartment complex in Inglewood.

The first installment of 1995-96 annual taxes on Mr. Dotson's home was paid through escrow when he purchased the property. The second installment, which became due after Mr. Dotson purchased the property, was not paid. On June 6, 1996, a Notice of Delinquency was sent to Mr. Dotson, stating that the taxes would be in default unless payment was received by June 30, 1996.

Mr. Dotson's 1996-97 annual tax bill contained a notice that taxes for the prior year were in default. However, during the next six months Mr. Dotson made only partial payments on the 1996-97 taxes. After he received another Notice of Delinquency in June 1997, he paid the 1996-97 taxes and all associated penalties in full. However, the 1995-96 taxes were still in default. It is not clear whether Mr. Dotson realized this.

The 1997-98 annual tax bill also contained a notice that prior year taxes were in default. Mr. Dotson again made only partial payments on the 1997-98 taxes. At that time he also filed a Proposition 8 claim to have his property tax assessment reduced. Although his reduction claim was granted, the partial payments made by Mr. Dotson were insufficient to completely satisfy the 1997-98 taxes. Consequently, a third Notice of Delinquency was sent to Mr. Dotson in June 1998. After no additional payments were made, the unpaid 1997-98 taxes defaulted on July 1, 1998.

During the next four fiscal years (1998-99, 1999-00, 2000-01 and 2001-02), Mr. Dotson paid each year's annual bill in full during the year of levy, although several payments were made late and included statutory penalties. During this period, the 1995-96 and 1997-98 taxes were still in default and all four annual tax bills issued to Mr. Dotson contained a statement to that effect.

On March 3, 2001, we alerted Mr. Dotson in a letter that his property could be sold at a public auction unless all the back taxes were paid by June 30, 2001. The letter further advised Mr. Dotson that he could pay the delinquent taxes over time through an installment payment plan, provided the plan was opened no later than June 30, 2001. At that time, the original \$546 delinquency had grown to almost \$1,200 as a result of statutory penalties and costs. When added to the 1997-98 taxes, which were also in default, the total amount necessary to redeem Mr. Dotson's property was more than \$3,000.

On June 1, 2001, as required by state law, a "Notice of Impending Tax Collector's Power to Sell" was sent by certified mail. It informed Mr. Dotson that in order to prevent sale of his property at auction he had to set up an installment

payment plan by June 30, 2001, or pay the back taxes in full prior to 5:00 on the last business day before the auction.

On October 24, 2001, Mr. Dotson came to our office and went directly to the cashiers where he presented the payment stubs for the first and second installment of the 2001-02 annual taxes and a check in the proper amount. In accordance with State law, this payment was applied to the 2001-02 taxes. Unfortunately, Mr. Dotson did not mention the delinquent prior year taxes to the cashier or consult a representative at our public counter to confirm that he had made all the necessary payments to prevent sale of his home.

On December 17, 2001, a "Notice of Auction" was sent to Mr. Dotson by certified mail. Similar to previous notices, it stated that a payment of \$3,345.64 was required in order to prevent the tax sale. On January 26, 2002, County Police conducted a field visit to Mr. Dotson's residence to personally deliver a copy of the Notice of Auction. This step is standard procedure for any property in which there is a clear indication that a property scheduled for sale is owner-occupied. There was no response on the intercom and because Mr. Dotson's residence is in a secure complex, the officers were unable to gain access. Therefore, the County Police affixed a copy of the Notice of Auction to the front door of the complex.

Mr. Dotson's condominium was sold at the February 2002 auction of tax-defaulted property. Contrary to the information reported in the *Los Angeles Times*, Mr. Dotson did not make a payment after his property was sold. The last payment we received was the payment Mr. Dotson made in October 2001.

In August 2002, we first learned that Mr. Dotson is a senior citizen and that he was left homeless as a result of the auction. State law does not allow us to cancel the sale, but we immediately contacted the new owners to ask if they would voluntarily rescind the sale. If they had agreed to do so, we would have returned their money and Mr. Dotson would have regained ownership. Unfortunately, the new owners wanted an additional \$10,000 to rescind the sale and we have no authority or source of funds to refund more than the price paid at auction.

CURRENT NOTIFICATION PROCEDURES

From the time of an initial delinquency until the date a property is sold at public auction, a homeowner receives a minimum of 11 notifications over a six-year period that back taxes are due and the property is in a tax default status. After the home becomes subject to sale at auction, three of the last four notices are either sent by certified mail or delivered in person within an 11-month period.

As noted above, property tax bills are mailed in October of each year. If the first installment of any annual bill is not paid on time and in full, a courtesy notice is sent in late January or early February to advise the taxpayer of the underpayment or non-payment. In early June, if a delinquency still exists from either the first or second installment, a Notice of Delinquency is sent. The June notice specifies the amount of ongoing penalties (which accrue monthly) and states that the property will be subject to sale at a public auction if the property remains tax defaulted for five years.

Each subsequent annual bill contains a notice that delinquent prior year taxes are due. During the fifth year of delinquency, the taxpayer receives a separate notice in March, followed by certified letters in June and December. If the tax roll indicates that the owner resides on the property, the County Police conduct a site visit to attempt to hand deliver a copy of the Notice of Auction.

PROPOSALS TO IMPROVE THE PROCESS

The Annual Bill

Your Board raised concerns that the statement on the annual bill regarding prior year delinquencies may not be prominent enough to attract the taxpayer's attention. State law mandates much of the information on the bill leaving very little open space. However, to accentuate the delinquency notice and make it more prominent, we propose to print the notation in bold type against a background of a strikingly contrasting color.

ONE TIME COST: \$11,914

State law also mandates that a payment must be applied as directed by the taxpayer. When Mr. Dotson presented his 2001-02 payment stubs to the cashier in October 2001 with a check in that exact amount, his payment was applied to those taxes. Our payment cashiering system (scheduled for replacement before June 30, 2004) cannot access information concerning the amount of taxes due, so the cashier would not have known that Mr. Dotson owed any other amounts. Although the tax bill references the tax delinquency, that information is not printed on the payment stub. Therefore, we propose to add a delinquency notation directly onto the payment stub. This will alert the cashier to direct the taxpayer to our public service counter for additional information and assistance.

ONE TIME COST: \$12,450

Annual Delinquency Notices

We also propose to send a separate and distinctive annual notice to any taxpayer whose taxes are paid for the current year but who owes taxes from a

prior year. In addition to alerting the taxpayer of the delinquency, the notice will contain information regarding the installment payment plan, and the State programs that are available to help seniors and other qualifying individuals who may need tax deferral or financial assistance to pay their taxes. The outgoing envelope will contain the phrase "IMPORTANT NOTICE" in order to encourage the taxpayer not to ignore it.

ONE TIME COST: \$39,457
ONGOING ANNUAL COST: \$34,000

New Third-Party Notification Database

The tax assessment, billing and collection process can confuse any taxpayer. Even after implementing the changes proposed above, history suggests that we will still encounter homeowners who simply do not fully understand their property tax obligations. Unfortunately, the tax roll does not contain any type of information to indicate that a homeowner is a senior citizen or may have a special need. While a very long period of ownership suggests ownership by an older person, it is neither a consistent nor a reliable indicator. Moreover, concern for homeowners' privacy rights prevents us from compiling age and other statistics without their consent. Therefore, we propose the establishment of a new, voluntary third-party notification database.

Many utility companies allow their customers to designate a third person to be notified in the event their utility bill becomes delinquent and before service is cut off. We believe a comparable system could benefit our property taxpayers.

We will encourage property owners who are senior citizens or those who have a special need, to register in a new voluntary database. The database would include the owner's name, and the name and contact information of a third party – such as a friend or relative – to be notified before the property is sold at auction. In addition to the extra notification, the database would be used to identify homeowners who might need counseling to understand their property tax obligations, or who might qualify for property tax deferral or assistance programs.

To encourage use of the database we would include program information and a response card with delinquency notices. In addition, we would propose to distribute informational brochures to senior citizen service centers, real estate professionals, Board offices, and any other agency that we determine has extensive contact with homeowners. Taxpayers will also be able to register electronically on our website.

ONE TIME COST: \$30,000
ONGOING ANNUAL COST: \$5,000

Pre-Auction Counseling Services

Before the sale of any property that is subject to a homeowner's exemption (indicating that the property is an owner-occupied residence), DCSS or DCA will attempt to contact and meet with the owner. Until this occurs, sale of the property will be delayed for up to four years, which is the maximum time currently permitted by State law. During the meeting with the taxpayer, payment plan options and assistance programs would be discussed and, if warranted, referral could be made to an appropriate social service agency. Our office will act as an intermediary with the State to help the homeowner apply for tax deferral or financial assistance, if necessary. We believe that existing personnel can provide these services without any additional cost to the departments involved.

The pre-auction field visit by the County Police (discussed above) provides us another opportunity to determine whether a homeowner has understood the seriousness of the tax delinquency. Based on training and guidelines that will be provided by DCSS, homeowners with special needs will be identified and referred to other agencies for assistance, as appropriate.

c: Department of Consumer Affairs
Department of Community and Senior Services